

FORTUNE

\$2.00/April 23, 1978

GROWTH ROCKS THE RECORD INDUSTRY

Three Tycoons
Called
the Bee Gees

What Carter's New Energy
Policy Won't Do

The World According to
Zbigniew Brzezinski

Momentous Legal Spillage
from the "Amoco Cadiz"





Those Business Hunches Are More Than Blind Faith

Executives like David Mahoney and Ray Kroc aren't clairvoyants, but often they "see" ways to solve business problems that defy computer logic. The bottom-line results can be spectacular.

by ROY ROWAN

The feasibility study is a beauty. The cost analysis looks right on the money. Even the sales projections, sometimes a little pie-in-the-sky, seem pretty solid. All the ingredients needed for a sound decision say: "Go!" Yet this nagging voice from a mysterious echo chamber deep inside his brain keeps repeating: "No!"

"Let's hold off on this one," announces the c.e.o. to his astonished subordinates. "We've got enough on our plates for now."

Lame excuses like that cannot disguise the fact that most of the chief executives who control the destinies of the biggest corporations are often guided by ill-defined gut feelings. The intuitive boss, of course, is a recurring figure in American business. J. P. Morgan (who was known to visit fortune-tellers) and Cornelius Vanderbilt (who consulted clairvoyants and believed in ghosts) took enormous pride in their enormously profitable hunches. So did their legendary contemporaries, without seeking the counsel of mediums. Even today, when the empirical world of business is practically paved over with M.B.A.'s who can figure the risk-reward ratio of any decision at the drop of a computer key, the old-fashioned hunch continues to be a managerial tool.

When biology feeds back

Society's current addiction to psychic advice is hardly what executives mean when they admit to following hunches. Biofeedback, for example, has proved helpful in the healing process, but most businessmen—and not businessmen only—would consider it just short of sorcery.

Yet a handful of scientists and academicians have come up with measurable proof that subconscious elements play a role in the decision-making process. They are convinced that heeding a strong hunch may be a wise move, and even see a correlation between the boss's precognitive ability and his company's profitability. In any case, they point out that it isn't realistic for executives to rely solely on logic to cope with the complexities of modern business.

Broach these thoughts to a board chair-

man or president, and you had better watch your language. To begin with, *hunch* is an odious word to the professional manager. It's a stock-market plunger's term, rife with imprecision and unpredictability. *Psychic* and *precognitive* are just as bad, since they smack of the occult. Self-proclaimed psychics pop up all over the place, insisting they can bend metal, project photographic images, or remove diseased organs by using nothing more than intense mental concentration. The business leader understandably shrinks from the thought of being associated with such kooks.

But suggest to this same executive that he might indeed possess certain intuitive powers, which could be of real assistance in generating ideas, choosing alternative courses of action, and picking people, and you'll elicit some interested responses:

■ "The chief executive officer is not supposed to say, 'I feel.' He's supposed to say, 'I know,'" asserts David Mahoney, chairman of Norton Simon. "So we deify the word instinct by calling it judgment. But any attempt to deny instinct is to deny identity. It's the most current thing. It's me—in everything from picking a wife to picking a company for acquisition."

■ "Intuition helps you read between the lines," says John Fetzer, owner of the Detroit Tigers and chairman of Fetzer Broadcasting Co. "Or walk through an office, and intuition tells you if things are going well." A staunch believer in mind over matter, Fetzer explains that he would never suggest to star pitcher Mark Fidrych that he stop talking aloud to the baseball and telling it where to go.

■ "In a business that depends entirely on people and not machinery," says Robert Bernstein, chairman of Random House, "only intuition can protect you against the most dangerous individual of all—the articulate incompetent. That's what frightens me about business schools. They train their students to sound wonderful. But it's necessary to find out if there's judgment behind the language."

■ "Physics is all hunches and intuition," admits Herman Kahn, a trained physicist-turned-futurist and now director of the

Hudson Institute. "My research is a combination of intuition and judgment. I don't know where it comes from. The mind simply puts things together."

Precisely how the mind puts things together has never been adequately charted. If only we knew how the human brain constantly delves into the subconscious to retrieve buried fragments of knowledge and experience, which it then instantaneously fuses with all the new information, we might better be able to define the hunch and assess its reliability.

Are you fortune's darling?

Nevertheless, we do know certain characteristics of the hunch. It concerns relationships, involves simultaneous perception of a whole system, and can draw a conclusion (not necessarily correct) without proceeding through logical intermediary steps. As Max Gunther points out in *The Luck Factor*: "The facts on which the hunch is based are stored and processed on some level of awareness just below the conscious level. This is why the hunch comes with that peculiar feeling of almost-but-not-quite knowing." But Gunther, an author of books on human relations, also warns against disregarding those "odd little hunches that are trying to tell you what you don't want to hear. Never assume you are fortune's darling." Failure to maintain some degree of pessimism, he claims, is to be in a state of peril.

There are other caveats that the wily manager should heed: never confuse hope with a hunch, and never regard a hunch as a substitute for first acquiring all known data (laziness usually produces lousy hunches). However, since management itself is an inexact science—frequently defined as the "art of making decisions with insufficient information"—even the most deliberate c.e.o. may be forced to act prematurely on an inner impression.

Possibly, then, it is in matters of timing that the business hunch is most critical, as Robert P. Jensen, chairman of General Cable Corp., will testify. Last year, sensing the need for his company to diversify, he found himself faced with five major deci-

Research associate: Jane Condon



sions that involved \$300 million in sell-offs and acquisitions. "On each decision," says Jensen, "the mathematical analysis only got me to the point where my intuition had to take over"—as was the case with the \$106-million cash purchase of Automation Industries. General Cable's strategic-planning department had come up with a purchase price based on Automation's future sales. "It's not that the numbers weren't accurate," Jensen recalls. "But were the underlying assumptions correct?"

An engineer not given to precipitate decisions, he calls "patience" crucial to the intuitive process. "It's easy to step in and say I have a feeling we ought to do this or that. But then you haven't let your managers weigh in with their feelings first." At the same time, he warns that the perfectionist who keeps waiting for new information never gets anything done. "Intuition is picking the right moment for making your move." adds Jensen, who spent three years as a tight end for the Baltimore Colts.

Reveling in "calculated chaos"

There is, in fact, considerable evidence that the wholly analytical creature pictured at the corporate pinnacle is so much folklore. That, anyway, is the view of Professor Henry Mintzberg of the McGill University Faculty of Management, who has been dissecting and writing about the executive animal for a dozen years.

According to Mintzberg, the c.e.o. pays lip service to systematic long-range planning, elaborate tables of organization, and reliance on computers and esoteric quantitative techniques (more folklore). In reality he's a "holistic, intuitive thinker who revels in a climate of calculated chaos." Mintzberg portrays the c.e.o. as working at an unrelenting pace, jumping from topic to topic, disposing of items in ten minutes or less, and "constantly relying on hunches to cope with problems far too complex for rational analysis."

No criticism intended. The puckish thirty-nine-year-old professor has immense admiration for the c.e.o.'s innate sense of direction, which he claims is much more reliable than that of the analytical consul-

tant who is forever devising inflexible guidance systems for unmapped business terrain. "After all," says Mintzberg, "the intuitive Eskimo crosses the ice cap without a compass." The intuitive executive, he explains, solves problems in four interrelated stages set forth in Gestalt psychology: preparation ("creativity favors the prepared mind"), incubation ("letting the subconscious do the work"), illumination ("waking up in the middle of the night and shouting, 'Eureka, I've got it!'", and verification ("then working it all out linearly").

In performing all of his tasks, the c.e.o.—as students of intuitive decision-making have noted—must know how to read a lot more than words. He assimilates gestures and moods, and thrives on head-to-head encounters with both colleagues and competitors. His own language suggests this hunger for sensory information. He wants to get the "big picture," the "feel of a situation," and "hot gossip" and "cold facts."

This ability to absorb all manner of information stems from the fact that chief executives seem to be "right-brain dominated." It was long known that the right hemisphere of the brain controls the left side of the body—and vice versa. Only recently, however, was it discovered that the two sides of the brain seem to specialize in different activities. The left appears to handle the logical, linear, verbal functions. The right takes care of the emotional, intuitive, spatial functions. Therefore, as in baseball, a savvy board of directors might pick an intuitive right-brained c.e.o. to pitch for the company.

To confirm this application of the right-brain, left-brain theory to business, Robert Doktor, a University of Hawaii business-school professor, wired up a number of c.e.o.'s to an electroencephalograph to find out which hemisphere they relied on most. The right hemispheres

won hands (or should it be heads?) down.

It was only a question of time before word of the right-brained boss would leak out and somebody would develop a market for the "soft information"—gossip, clues, insights, and other intangibles—on which the intuitive mind feeds. Infer-mation, as the Williams Inference Service of New York calls itself, now sells educated hunches ("disciplined intuition" is the term it uses) to companies such as Travelers and IU International.

"Lead time is the most valuable thing a corporation can have," claims Bennett Goodspeed, marketing chief for Williams. "Yet by the time the numbers are in on any new trend, the change is obvious to everyone." Williams combs hundreds of trade and technical journals for early, isolated clues that, when connected, may convey an "unintended message." But, as Goodspeed laments, corporations resist change. He points out that of six vacuum-tube manufacturers, only one had the foresight to switch to transistors.

A masquerade of memories

In today's unpredictable environment, it's hard to tell whether even the "best" hunches will work. A c.e.o. may come up with an ingenious concept that he can't sell—leaving him feeling as if he's suspended on a limb after the tree has fallen. Aware that universities were concerned about the "social content of their investments," Howard Stein, chairman of Dreyfus Corp., launched a special mutual fund in 1972 composed only of companies that strictly complied with environmental safeguards and fair-employment practices. "Ironically, this Third Century Fund has outperformed most others," reports Stein, "but the colleges called it a 'do-good attempt' and stuck to traditional investments."

In addition, William F. May, chairman of American Can Co., warns that "you have to be alert not to let bad memories masquerade as intuition." He cites his company's experience with the two-quart milk container, which failed miserably when it was first introduced in 1934. The company revived the idea in 1955 in the belief

continued



that its time had come. "Our executives turned it down," says May ruefully. Today, American Can's competitors have two-quart containers in every dairy case.

One area where the hunch player has repeatedly scored is in figuring out the fickle American appetite. Confronted in 1960 with what his lawyer called a bad deal—\$2.7 million for the McDonald name—Ray Kroc says: "I closed my office door, cussed up and down, threw things out of the window, called my lawyer back, and said: 'Take it!' I felt in my funny bone it was a sure thing." Last year, system-wide sales of Kroc's hamburger chain exceeded \$4.5 billion.

Precognition and profits

This ability to decipher the telltale signs of the future puts an enormous premium on what the parapsychologists (ESP specialists) call "precognition." Almost two decades of testing executives have uncovered a close link between a c.e.o.'s precognitive and profit-making abilities. In research conducted at the New Jersey Institute of Technology, engineer John Mihalasky and parapsychologist E. Douglas Dean found that more than 80 percent of c.e.o.'s who had doubled their company's profits within a five-year period proved to have above-average precognitive powers. (The executives had to predict a 100-digit number that would be randomly selected by a computer anywhere from two hours to two years later.)

Mihalasky visualizes precognition as a flow of information particles moving forward and backward in time. He uses the stock-market crash of 1929 to illustrate his point. For "precognitive" investors, there was strong evidence that it was coming and that there would be violent repercussions afterward.

"If something goes beyond the logic that we understand," cautions Mihalasky, "we say forget it." In any case, "the biggest roadblock to intuitive decision-making is not having the guts to follow a good hunch." Although Mihalasky admits that the world is full of "psi-hitters" and "psi-missers," he offers certain recommenda-

tions for inducing intuition: (1) Concentrate on what is unique. (2) Be aware of the gaps in your knowledge. (3) Make connections between diverse factors. (4) Avoid becoming overloaded with information.

While executives may hide the importance of the hunch, nonbusiness leaders are not so reluctant to acknowledge their indebtedness to it. Helen Gurley Brown confides that she uses "secret personal knowledge" in editing *Cosmopolitan*. "When I read a manuscript, even if it's not well written, only intuition can say this is truth, readers will like it. Or intuition may tell me that a piece by a Pulitzer prizewinner is a phony."

Dr. Jonas Salk, discoverer of the polio vaccine, says: "Intuition is something we don't understand the biology of yet. But it is always with excitement that I wake up in the morning wondering what my intuition will toss up to me, like gifts from the sea. I work with it, and rely upon it. It's my partner." After tedious experiments seeking ways to immunize against polio, Salk made an intuitive leap to the correct vaccine. R. Buckminster Fuller, creator of the geodesic dome, says: "I call intuition cosmic fishing. You feel a nibble, then you've got to hook the fish." Too many people, he claims, get a hunch, then light up a cigarette and forget about it.

Artists, certainly, always assumed that creativity doesn't spring from a deductive assault on a problem. Yet there are instances where a melding of the intuitive and deductive helped them produce magnificent results. From Leonardo da Vinci's pen came detailed drawings of the first flying machine. Both Robert Fulton, inventor of the steamboat, and Samuel Morse, inventor of the telegraph, started out life as artists. But intuition led them elsewhere.

Today, it is an explorer back from outer space, Edgar Mitchell, who has turned into

intuition's most fervent evangelist—and almost a mystic as well. A doctor of science from M.I.T., Navy captain, and the sixth man on the moon, he believes that "man's potential knowledge is more than the product of his five senses."

Following that journey, Mitchell founded the Institute of Noetic Sciences (Greek for *intuitive knowing*) in California, and not long ago became a director of two computer-software companies—Information Science in West Palm Beach and Forecast Systems in Provo, Utah. In all three endeavors, his aim is to help his fellow man—especially the businessman—develop intuitive decision-making powers to the point where, as he says, "they can control the scientific beast."

Exploring inner space

In preparing for a lunar flight, Mitchell explains, "we spent 10 percent of our time studying plans for the mission, and 90 percent of our time learning how to react intuitively to all the 'what if's.'" At Forecast Systems, Mitchell and his associates use this same approach to help clients identify potential problem areas. They interview managers, foremen, and workers to uncover their fears about all the things that might go wrong. "With a computer printout of the resulting 'fault tree' in front of him, a c.e.o. can almost smell those failures before they occur," says Mitchell, explaining "failure analysis," a space-age spinoff.

However methodical, even scientific, Mitchell and other researchers may be, the explanations of intuition and its powers remain elusive. All of the parts, added up, fall short of making a sum called the hunch. But the businessman like David Mahoney or Ray Kroc who has relied on an occasional hunch to solve an important business problem cares less about analyzing the phenomenon than seeing the results. Often, these can be spectacular.

In the future it will probably be sparks thrown off by minds trained in still newer disciplines which produce the best hunches: Not that this amorphous, intuitive power will be any more measurable then. Of course, that is simply a hunch. [E]